PROVINCE OF SASKATCHEWAN

2011

ANNUAL REPORT

PUBLIC EMPLOYEES GROUP LIFE INSURANCE FUND

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Letters of Transmittal

Her Honour, The Honourable Vaughn Solomon Schofield
Lieutenant Governor of the Province of Saskatchewan

May it Please Your Honour:

I have the honour to transmit herewith the nineteenth Annual Report of the Public Employees Group Life Insurance Fund for the year ending December 31, 2011.

Ken Krawetz
Minister of Finance

The Honourable Ken Krawetz
Minister of Finance

Sir:

On behalf of the Public Employees Benefits Agency, I have the honour to transmit herewith the nineteenth Annual Report of the Public Employees Group Life Insurance Fund for the year ending December 31, 2011.

Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency

Public Employees Group Life Insurance Fund

Introduction

The Public Employees Group Life Insurance Plan was established on April 1, 1958.

The Plan provides comprehensive life insurance coverage to employees of Executive Government, several Crown Corporations and various Agencies, Boards and Commissions as approved by the Lieutenant Governor in Council.

Spouses and dependent children are also provided coverage under the Plan.

As at December 31, 2011 there were approximately 26,722 insured employees.

Participating Employers

The following employers participate in The Government of Saskatchewan Group Life Insurance Plan:

Board of Arbitration under *The Surface Rights Acquisition and Compensation Act* (The)
Cafeteria Board of Saskatchewan
Chief Electoral Officer (Office of the)
Children's Advocate (Office of the)
Crown Investments Corporation of Saskatchewan
Enterprise Saskatchewan
Farm Land Security Board
Global Transportation Hub Authority (The)
Information and Privacy Commissioner (Office of the)
Information Services Corporation of Saskatchewan
Innovation Saskatchewan
Leader of the Opposition (Office of the)
Legislative Assembly Service
Liquor and Gaming Authority
Meewasin Valley Authority
NDP Caucus Office
Ombudsman (Office of the)
Power Greenhouses Inc.
Prairie Diagnostic Services Inc.
Prairie North Regional Health Authority
Provincial Auditor (Office of the)
Regina QuAppelle Regional Health Authority
Residential Tenancies (Office of the)
Safe Saskatchewan Inc.
Sask Pork
Saskatchewan Arts Board
Saskatchewan Assessment Management Agency
Saskatchewan Cancer Foundation
Saskatchewan Centre of the Arts
Saskatchewan Crop Insurance Corporation
Saskatchewan Film and Video Development Corporation
Saskatchewan Human Rights Commission
Saskatchewan Institute of Applied Science and Technology
Saskatchewan Milk Marketing Board
Saskatchewan Municipal Board
Saskatchewan Party Caucus
Saskatchewan Power Corporation
Saskatchewan Telecommunications Holding Corporation
SaskEnergy Incorporated
SecurTek Monitoring Solutions Inc.
St. Louis Alcoholism Centre Board of Governors
Sun Country Regional Health Authority
Technical Safety Authority of Saskatchewan
Tourism Authority
TransGas Limited
Wakamow Valley Authority
Wanuskewin Heritage Park Authority
Wascana Centre Authority
Western Development Museums
Workers' Compensation Board (The)

The Board responsible for the administration of each of the following, with respect to individuals receiving benefits under each plan:

Anti-Tuberculosis League Employees Superannuation Plan
Liquor Board Superannuation Plan
Pension Plan for Employees of the Saskatchewan Workers' Compensation Board
Power Corporation Superannuation Plan (The)
Public Employees Pension Plan
Public Service Superannuation Plan
Saskatchewan Telecommunications Pension Plan (The)

The Government of Saskatchewan with respect to the following individuals:

Assistant Chief Electoral Officer
Chief Electoral Officer
Children's Advocate
Conflict of Interest Commissioner
Director of Residential Tenancies
Information and Privacy Commissioner
Legislative Assembly (Members of the)
Members of the Public Service of Saskatchewan as defined by *The Public Service Act, 1998* excluding employees covered by the Saskatchewan Government and General Employees' Union
Ombudsman
Provincial Auditor
Supervising Justice of the Peace, appointed under section 3 of *The Justices of the Peace Act, 1988*

Administration

The Public Employees Group Life Insurance Plan is underwritten by the Great-West Life Assurance Company on a cost-plus basis and is managed by the Public Employees Benefits Agency, Ministry of Finance.

The Great-West Life Assurance Company under Group Policy 161938 (Life) provides claims adjudication and benefit payment services to the Plan.

Investment Management Services

The assets of the Group Life Insurance Fund can be invested in any class of investments authorized for the investment of moneys in the general revenue fund.

GLC Asset Management Group Ltd. invests the monies of the Fund under a contract to provide services. The Fund pays management fees to GLC Asset Management Group Ltd.

Funding

Funding for the Plan is comprised of employee and employer paid insurance premiums based on salary and the age, gender and smoker status of the employee.

Premiums/Claims Experience

	Dec. 31, 2011	Dec. 31, 2010
Premiums	$12,484,523	$12,163,015
Claims	$13,542,752	$10,893,253
# Claims		
- Employee	84	76
- Dependent	44	46

Management's Report

To the Members of the Legislative Assembly of Saskatchewan

As members of management of the Public Employees Group Life Insurance Fund, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian public sector accounting standards applied on a basis consistent with that of the preceding year.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

The actuary has prepared a valuation report on the provision for life insurance benefits of the Fund, made in accordance with accepted actuarial practices and using assumptions adopted by management. This report has been used in the preparation of the financial statements.

We believe the Public Employees Group Life Insurance Fund has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian public sector accounting standards.

We enclose the financial statements of the Public Employees Group Life Insurance Fund for the year ended December 31, 2011 and the Provincial Auditor's report on these financial statements.

Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency

Perry Bahr
Director, Benefit Programs
Public Employees Benefits Agency

Kara Marchand, CMA
Director, Corporate Services
Public Employees Benefits Agency

Regina, Saskatchewan
April 12, 2012

Actuaries' Opinion

With respect to the Public Employees Group Life Insurance Plan, we have prepared an actuarial valuation as at December 31, 2011 for the purpose of determining the necessary actuarial information for financial statement reporting. In my opinion, for the purpose of this actuarial valuation:

- the data on which this valuation is based are sufficient and reliable;
- where applicable, the assumptions have been adopted as management's best estimates for accounting purposes and consequently I have not rendered an opinion on them; however, in my opinion, the assumptions are, in aggregate not unreasonable, when considering the circumstances of the plan and the purpose of the valuation; and
- the actuarial cost methods employed are appropriate.

Nonetheless, emerging experience differing from the assumptions will result in gains or losses which will be revealed in subsequent valuations.

This report has been prepared and this actuarial opinion has been given in accordance with accepted actuarial practice.

David R. Larsen, FSA, FCIA
Aon Hewitt

April 12, 2012

Public Employees Group Life Insurance Fund

Financial Statements

Year Ended December 31, 2011

Independent Auditor's Report

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Public Employees Group Life Insurance Fund, which comprise the statement of financial position as at December 31, 2011 and December 31, 2010 and January 1, 2010, and the statements of operations and accumulated surplus, and cash flows for the years ended December 31, 2011 and December 31, 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

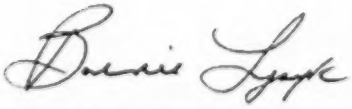
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Public Employees Group Life Insurance Fund as at December 31, 2011 and December 31, 2010 and January 1, 2010, and the results of its operations, changes in its accumulated surplus, and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with Canadian public sector accounting standards.



Regina, Saskatchewan
April 12, 2012

Bonnie Lysyk, MBA, CA
Provincial Auditor

Public Employees Group Life Insurance Fund
Statement of Financial Position

Statement 1

As At December 31

	2011	2010 (Restated) (Note 3,13)	January 1,2010 (Restated) (Note 3, 13)
Financial Assets			
Cash	$ 178,125	$ 165,566	$ 163,293
Due from Great-West Life Assurance Company (Note 5)	-	1,145,582	864,458
Accounts receivable (Note 13)	799,932	721,819	735,005
Investments (Note 2b,4)	91,760,517	88,806,157	80,249,867
	$92,738,574	$90,839,124	$82,012,623
Liabilities			
Accounts payable	$ 307,265	$ 329,371	$ 234,084
Claims payable	3,240,008	1,865,012	1,770,736
Due to Great-West Life Assurance Company (Note 5)	91,206	-	-
Payable to other employers (Note 7)	3,883,082	3,407,570	2,752,315
Provision for life insurance benefits (Note 3,6)	57,661,400	52,931,500	47,978,000
	65,182,961	58,533,453	52,735,135
Net Assets and Accumulated Surplus (Note 3,13) (Statement 2)	$27,555,613	$32,305,671	$29,277,488

(See accompanying notes to the financial statements)

Public Employees Group Life Insurance Fund
Statement of Operations and Accumulated Surplus

Statement 2

Year Ended December 31

	2011		2010
	Budget (Note 11)	Actual	Actual (Restated) (Note 3, 13)
Revenues			
Premiums (Note 13)	$ 14,232,200	$ 12,484,523	$ 12,163,015
Investment income	4,623,850	2,473,890	8,065,189
	18,856,050	14,958,413	20,228,204
Expenses			
Claims	11,506,150	13,542,752	10,893,253
Change in provision for life insurance benefits (Note 3,6)	-	4,729,900	4,953,500
Administration (Note 8)	689,177	540,300	540,734
Premium taxes	479,466	377,234	357,458
Adjudication fees	262,255	281,155	241,600
Investment management fees	207,900	237,130	213,476
	13,144,948	19,708,471	17,200,021
Annual (Deficit) Surplus	$ 5,711,102	(4,750,058)	3,028,183
Net Assets and Accumulated Surplus, Beginning of Year		32,305,671	29,277,488
Net Assets and Accumulated Surplus, End of Year (Statement 1)		$ 27,555,613	$ 32,305,671

(See accompanying notes to the financial statements)

Public Employees Group Life Insurance Fund
Statement of Cash Flows

Statement 3

Year Ended December 31

	2011	2010
Cash flows (used in) from operating activities:		
Premiums received	$ 12,751,516	$ 12,568,640
Claims paid	(12,167,756)	(10,798,976)
Administration expenses paid	(567,338)	(478,066)
Premium taxes paid	(367,006)	(357,441)
Investment fee	(1,250)	(5,000)
Adjudication fees paid	(272,395)	(245,760)
	(624,229)	683,397
Cash flows from (used in) investing activities (Note 2b, 4):		
Proceeds from investments	-	1,300,000
Purchase of investments	(600,000)	(1,700,000)
	(600,000)	(400,000)
Net (decrease) increase in cash	(1,224,229)	283,397
CASH, BEGINNING OF YEAR	1,311,148	1,027,751
CASH, END OF YEAR	$ 86,919	$ 1,311,148
Balance consists of:		
Cash	$ 178,125	$ 165,566
Due (to) from Great West Life Assurance Company (Note 5)	(91,206)	1,145,582
Cash, end of year	$ 86,919	$ 1,311,148

(See accompanying notes to the financial statements)

Public Employees Group Life Insurance Fund
Notes to the Financial Statements

December 31, 2011

1. Description of Fund

The Public Employees Group Life Insurance Fund (PEGIF) is a special purpose fund used to account for transactions of the Group Life Insurance Plan (Plan). The Plan continues under subsection 64(2) of *The Financial Administration Act, 1993*.

This Plan is managed by the Public Employees Benefits Agency (PEBA) and provides comprehensive life insurance coverage to certain members of the public service of the Province of Saskatchewan and Saskatchewan Crown agencies, whose participation in the Plan has been approved by the Lieutenant Governor in Council. The Plan provides basic life insurance coverage at the commencement of employment without a medical examination. Additional coverage may be purchased with a medical examination. The coverage is renewed automatically every year. At retirement, retirement death benefit certificates having values up to $25,000 (basic death benefit certificate $10,000) are given to employees. The cost of providing these certificates to retiring employees is included in the provision for life insurance benefits. At retirement, members can elect to continue insurance coverage. The Plan's insurance coverage does not include accumulation of cash values. The Government through the Minister of Finance entered into an agreement with Great-West Life Assurance Company (Great-West Life) to administer the Group Life Insurance Plan, effective January 1, 2009.

Claims are adjudicated and processed for payment by Great-West Life.

Employees and employers pay premiums monthly. Premiums are paid by the employers on the first $7,000 to $50,000 of coverage. Employees pay for the remainder of their coverage at a rate of $0.22 to $0.27 per month per $1,000 coverage.

Premiums for life insurance are waived for disabled members of the Public Employees Disability Income Plan, the Saskatchewan Government Insurance Long Term Disability Plan, and the Saskatchewan Government and General Employees Union Long Term Disability Plan. The cost of providing life insurance coverage (benefit) due to waiver of premiums is included in the provision for life insurance benefits.

During the period of agreement, all death claims from a catastrophic accident over and above the two largest individual claims will not be charged to the Plan. Catastrophic accident means each and every accident or series of accidents arising out of one event or occurrence resulting in the death of three or more people insured under the Plan. The Plan pays 0.35% of premium revenue to Great-West Life for this coverage. The amount expensed during the year is included in adjudication fees and the Plan had no claims for 2011 (no claims for 2010).

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian public sector accounting standards applicable for governments. These statements do not present a Statement of Changes in Net Assets as the Plan does not hold any non-financial assets. The following accounting policies are considered significant:

a) Premium revenue

Premiums are recognized when due.

b) Investments

The investments are held by GLC Asset Management Group Ltd (GLC) on behalf of PEGIF in an assortment of pooled funds including a: money market, bond, mortgage, Canadian equity, US equity, and International equity pooled fund. All investments are valued at fair value. The fair value of short-term notes is based on cost. The cost of short-term notes plus accrued interest approximates their market value. Canadian government and corporate bonds, mortgages, Canadian and U.S. equities, and non-North American equities are valued at the closing bid price. The market values of investments in foreign currencies are translated into Canadian dollars at the closing rate of exchange on December 31, 2011. The purchase and sales of investments, income and expenses are translated at the rate of exchange prevailing on the respective dates of such transactions.

c) Provision for life insurance benefits

Group Life policies are considered yearly termed life policies that are automatically renewed every year. Under such life policies, claims are recorded in the year of the claim. The provision for life insurance benefits represents the present value of future payments arising from benefits for disabled employees whose premiums have been waived and includes an estimated amount for claims incurred but not yet reported. The provision also includes the present value of the retirement death benefit certificates for those employees who retired prior to year end. The provision for life insurance benefits is subject to uncertainty and is selected from a range of possible outcomes. Adjustments to the provisions for life insurance benefits are made as additional information becomes available. The provision for life insurance benefits is determined pursuant to an actuarial valuation. Any resulting change in the liability pursuant to the valuation is recognized as a revenue or expense item in the Statement of Operations and Accumulated Surplus.

d) Claims expense

Claims are recognized in the year they are incurred. Claims expense includes future payments arising from life claims received during the year and an estimate of life claims received after the year end for fatalities that occurred during the year.

e) Use of Estimates

These statements are prepared in conformity with Canadian public sector accounting standards. These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Differences are reflected in current operations when identified.

The primary measurement uncertainty arising from the use of estimates which may affect reported amounts, relates to the valuation of the provision of life insurance benefits – see Note 6.

f) Financial instruments

Receivables and payables are measured at cost which approximates their fair value. As described in Note 2 b) the investments held by GLC on PEGIF's behalf are measured at fair value.

Changes in fair value are recognized in the Statement of Operations and Accumulated Surplus.

3. Adoption of new accounting standards

Effective January 1, 2011, the Plan adopted Canadian public sector accounting standards. These standards were adopted with retrospective restatement, and therefore the January 1, 2010 opening statement of financial position and the 2010 comparative figures have been restated. The adoption of the public sector accounting standards resulted in a change in the discount rate used for estimating the actuarial valuation of the Provision for Life Insurance Benefits. Consequently, the Provision for Life Insurance Benefits and the Net Assets and Accumulated Surplus of the Plan increased by $5,339,400 at January 1, 2010 and $2,873,000 at December 31, 2010.

See Note 13 for a full reconciliation for the effect of this restatement.

4. Investments

At December 31, 2011, the investments held on behalf of PEGIF by GLC in various pooled funds consist of short-term notes, Canadian government and corporate bonds, mortgages, and Canadian and US equities.

GLC does not remit the investment income to PEGIF; it reinvests the income, net of management fees, in the pooled funds.

Fair Value

The Plan has classified its fair valued financial instrument holdings using a hierarchy that reflects the significance of the inputs used in determining their measurements.

Under the classification structure, financial instruments recorded at unadjusted quoted prices in active markets for identical assets and liabilities are classified as Level 1. Instruments valued using inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly are classified as Level 2. Instruments valued using inputs that are not based on observable market data are classified as Level 3.

The following table classifies the Plan's financial instruments within this fair value hierarchy:

(thousands of dollars)

Pooled Funds	Level 1	Level 2	Level 3	Total
Money Market Fund	$2,989			$2,989
Bond Fund		$43,692		$43,692
Mortgage Fund		$10,864		$10,864
Equity Funds	$34,216			$34,216
Total	$37,205	$54,556		$91,761

5. Due from Great-West Life Assurance Company

According to the agreement between PEBA and Great-West Life, Great-West Life has established an account for receipt of PEGIF's premiums and payment of claims and administrative expenses. A positive balance in this account represents monies due from Great-West Life to PEGIF and a negative balance represents monies due to Great-West Life from PEGIF.

6. Provision for Life Insurance Benefits

A provision for life insurance was performed by Aon Hewitt as at December 31, 2011, December 31, 2010 and January 1, 2010 to determine the liability for future costs of providing life coverage to existing disabled employees whose premiums have been waived (waived premiums) prior to year end and the retirement death benefit certificates (retirement certificates) for those employees who retired prior to year end.

The provision for life insurance of future benefits as at December 31 and the principal components of the change in the provision during the year were as follows:

	2011		2010	
	Waived Premiums	Retirement Certificates	Waived Premiums	Retirement Certificates
Provision for life insurance, Beginning of year	$22,729,600	$30,201,900	$20,873,000	$27,105,000
Interest on previous liability	1,022,800	1,359,100	971,800	1,339,700
Mortality and termination experience (gain) loss	(1,530,600)	350,800	(555,700)	188,500
New claims	5,907,100	3,563,700	5,835,600	2,332,300
Expected benefit payments	(4,709,500)	(1,199,900)	(4,256,100)	(1,052,400)
Change in assumptions	(30,900)	(2,700)	(139,000)	288,800
Total provision for life insurance, end of year	$23,388,500	$34,272,900	$22,729,600	$30,201,900

The total liability as at December 31, 2011 is $57,661,400 (2010 – $52,931,500). The liability includes $34,272,900 (2010 – $30,201,900) for retirement death benefit certificates and $23,388,500 (2010 – $22,729,600) for life coverage for those disabled employees whose premiums have been waived.

The valuation is based on the following assumptions: 1) the life waiver valuation uses a table derived from the *Group Life Waiver Study Based on 1988-1994 Canadian Group LTD Termination Experience*, published November 2001, with mortality rates adjusted to 200%; 2) the interest rate assumed is 4.5% (2010 – 4.5%); 3) the mortality rates of existing retirees are based on the Complete Life Table, Canada 2000-2002; 4) the inflation rate assumed is 2.5 % (2010 – 2.5%) for all future years.

If the actuarial valuation assumed no indexing of the level of insurance for those disabled employees, the liability at December 31, 2011 would be $55,231,200 (2010 – $50,512,900).

The liability for the cost of providing life insurance coverage to disabled employees whose premiums have been waived prior to year end and the retirement death benefit certificates for those employees who retired prior to year end are based on a number of assumptions about future events including: recovery and mortality rates and interest rates. The actual experience may vary significantly from the assumptions used.

The following illustrates the effect of changes in the interest rate and mortality on the retirement death benefit certificate liability:

- a 1% change in the discount rate equals a 15.1% change in the liability including the cost of living adjustment as determined by the consumer price index
- a 10% change of the Group Life Insurance mortality equals a 2.7% change in the liability

The following illustrates the effect of changes in the interest rate, cost of living adjustment and mortality on group life waivers:

- a 1% change in the discount rate equals a 4.7% change in the liability including the cost of living adjustment as determined by the consumer price index
- a change in the cost of living adjustment of 1% equals a 4.4% change in the liability
- a change of waiver mortality by 10% equals a 8.3% change in the liability

The provision for life insurance benefits is long-term in nature and there is no market for settling these obligations. Therefore, it is not practical to determine the fair value of the provision for life insurance benefits.

7. Payable to Other Employers

Public Service Commission, Prairie North Regional Health Authority and Sun Country Regional Health Authority (in conjunction with Canadian Union of Public Employees, Local 600), SaskEnergy, SaskPower, and Saskatchewan Government Insurance (SGI) signed agreements whereby these agencies became responsible for the additional $5,000 (total of $10,000 except for SGI total of $15,000 or $25,000) paid up life insurance policy to their employees upon retirement (Retirement Death Benefit Certificates).

These agencies pay the premiums for this enhanced benefit to PEGIF and PEGIF pays the claims on behalf of the employers. The payable represents the accumulated difference between premiums collected and the claims paid. The fair value of the payable approximates its carrying value.

8. Administration Expenses

PEBA administers PEGIF for a fee.

9. Investment Performance

PEGIF's investments are represented by the amounts held by GLC (see Note 2b, 4). The following is a summary of the investment performance:

	2011	Four year annualized return
Actual (a)	2.8%	4.6%
Benchmark (b)	4.1%	3.4%

(a) The annual returns are before deducting investment expenses.

(b) The benchmark return is PEGIF's target rate of return for its investments. The benchmark return is based on the performance of PEGIF's planned investment portfolio.

The assets within the PEGIF can be invested as authorized within the PEGIF's Statement of Investment Policies and Goals (Investment Policy). GLC is under agreement to invest the monies of PEGIF in a selection of investment mandates offered by GLC consistent with the Investment Policy. PEGIF pays investment management fees to GLC for providing this service.

10. Financial Risk Management

The nature of the Plan's operations, result in a statement of financial position that consists primarily of financial instruments. The risks that arise are credit risk, market risk (consisting of interest rate risk, foreign exchange risk and equity price risk) and liquidity risk.

Significant financial risks are related to the Plan's investments. These financial risks are managed by having an Investment Policy, which is approved annually. The Investment Policy provides guidelines to the Plan's investment manager for the asset mix of the portfolio regarding quality and quantity of fixed income and equity investments. The asset mix helps to reduce the impact of market value fluctuations by requiring investments in different asset classes and in domestic and foreign markets. PEBA reviews regular compliance reports from its investment manager as to its compliance with the Investment Policy. PEBA also reviews regular compliance reports from the pooled fund custodian as to the investment manager's compliance with the Investment Policy.

Credit risk

The Plan's credit risk arises primarily from two distinct sources: accounts receivable and certain investments. The maximum credit risk to which it is exposed at December 31, 2011 is limited to the carrying value of the financial assets summarized as follows:

	(thousands of dollars) 2011 Carrying value	2010 Carrying value
Accounts receivable	$ 800	$ 722
Due from Great West Life Assurance Company	-	1,146
Investments[1]	46,681	43,014

[1] Bonds & short-term Investments held on behalf of PEGIF.

Accounts receivable are primarily made up of employee and employer contributions receivable. Employee and employer contributions receivable are generally received within 30 days.

Credit risk within investments is primarily related to the Pooled Fixed Income Fund. It is managed through the Investment Policy that limits fixed term investments to those of high credit quality (minimum rating for bonds, BBB, and for short-term investments is R-1) along with limits to the maximum notional amount of exposure with respect to any one issuer.

Market risk

Market risk represents the potential for loss from changes in the value of financial instruments. Value can be affected by changes in interest rates, foreign exchange rates and equity prices. Market risk primarily impacts the value of investments.

Interest rate risk

The Plan is exposed to changes in interest rates in its fixed income investments. Duration is a measure used to estimate the extent market values of fixed income instruments change with changes in interest rates. Using this measure, it is estimated that a 100 basis point increase in interest rates would decrease net assets by $3.3 million at December 31, 2011, representing 6.1% of the $54.6 million fair value of fixed income investments.

Foreign exchange

The Plan is exposed to changes in the U.S. dollar exchange through its U.S. equities. Exposure to U.S. equities is limited to a maximum 18% of the market value of the total investment portfolio. At December 31, 2011, the Plan's exposure to U.S. equities was 12.0% (2010 – 12.4%).

At December 31, 2011, a 10% appreciation in the Canadian dollar versus the EAFE dollar exchange rate would result in approximately a $1.1 million decrease in net assets and accumulated surplus. A 10% appreciation in the Canadian dollar versus the EAFE currencies would result in approximately a $1.0 million decrease in net assets and accumulated surplus.

Equity prices

The Plan is exposed to changes in equity prices in Canadian and U.S. markets through its equity investments. Equities comprise 37.3% (2010 – 40.6%) of the carrying value of the Plan's total investments.

The following table indicates the approximate change that could be anticipated to the increase in net assets and accumulated surplus based on changes in the Plan's benchmark indices at December 31, 2011:

	(Change in thousands of dollars)	
	10% increase	10% decrease
S&P/TSX Composite Index	$ 1,285	$ (1,285)
S&P 500 Index	$ 1,097	$ (1,097)

Liquidity risk

Liquidity risk is the risk that the Plan is unable to meet its financial obligations as they fall due. Cash resources are managed on a daily basis based on anticipated cash flows. Accounts payable, payable to other employers, and claims payable are due within one year.

The provision for life insurance benefits is long-term in nature per Note 6.

11. Budget

PEBA approved PEGIF's annual budget on December 23, 2010.

12. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to PEGIF by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan collectively referred to as "related parties". These transactions are recorded at agreed upon exchange amounts.

At year-end, the following amounts were due to/from related parties as a result of the transactions referred to above:

	2011	2010
Accounts receivable	$799,932	$721,819
Accounts payable	$282,436	$343,015

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and notes thereto.

13. Prior period adjustments

In March 2012, it was discovered that the Public Service Commission (PSC) had failed to remit the employer share of Group Life premiums for Labour Service employees from 2007 to 2011 in a total amount of $424,200.

As a result of this error, the Statement of Operations and Accumulated Surplus has been restated for 2010. The 2010 restated amount for these unpaid premiums is $86,800. The outstanding premiums for periods prior to 2010 total $256,200 and are reflected in the restated net assets and accumulated surplus at the beginning of the year. The current year portion of the outstanding premium is $81,200 and is reflected as a 2011 accounts receivable.

The below reconciliation shows the prior period adjustments for these unremitted premiums as well as the restatement for accounting policy changes disclosed in Note 3 that affect the Statement of Financial Position and Statement of Operations and Accumulated Surplus.

Statement of Financial Position

December 31, 2009 accounts receivable as previously reported	$ 478,805
Increase due to outstanding premiums	256,200
January 1, 2010 accounts receivable restated	$ 735,005
December 31, 2009 provision for life insurance benefits as previously reported	$ 42,638,600
Provision increase due to a change in the discount assumption	5,339,400
January 1, 2010 provision for life insurance benefits restated	$ 47,978,000
December 31, 2009 net assets as previously reported	$ 34,360,688
Increase due to outstanding premiums	256,200
Provision increase due to a change in the discount rate assumption	(5,339,400)
January 1, 2010 net assets and accumulated surplus restated	$ 29,277,488
December 31, 2010 accounts receivable as previously reported	$ 378,819
Increase due to outstanding premiums	343,000
December 31, 2010 accounts receivable restated	$ 721,819
December 31, 2010 provision for life insurance benefits as previously reported	$ 50,058,300
Provision increase due to a change in the discount rate assumption	2,873,200
December 31, 2010 provision for life insurance benefits restated	$ 52,931,500
December 31, 2010 net assets as previously reported	$ 34,835,871
Increase due to outstanding premiums	343,000
Provision increase due to a change in the discount rate assumption	(2,873,200)
December 31, 2010 net assets and accumulated surplus restated	$ 32,305,671

Statement of Operations and Accumulated Surplus

December 31, 2010 premiums as previously reported	$12,076,215
Increase due to outstanding premiums	86,800
December 31, 2010 premiums restated	$12,163,015
December 31, 2010 surplus as previously reported	$ 475,183
Increase due to outstanding premiums	86,800
Decrease in change in provision due to a change in the discount rate assumption	2,466,200
December 31, 2010 surplus restated	$ 3,028,183